

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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June 24, 2003

FROM: CAROL L. ANSELM, Assistant County Administrator
Human Services System

SUBJECT: REALLOCATION OF 2002-03 REALIGNMENT REVENUES

RECOMMENDATION: Authorize the Auditor/Controller to reallocate 10% of the 2002-03 Realignment revenue from the Mental Health account to the Social Services Account.

BACKGROUND INFORMATION: Approval of this action will allow for the transfer of Realignment revenues from the Mental Health Account to the Social Services Account. This transfer is requested under section 17600.20 of the Welfare and Institutions Code which allows for up to a 10% transfer from any of the funds to another fund provided the reallocation is based on the most cost-effective use of available resources to maximize client outcomes. Transfers between realignment funds have taken place annually since 1991. This transfer has been included in the FY 2003-04 estimates given to the Board of Supervisors during the recent budget hearings. Additionally, this transfer is expected to continue in the coming years.

Social Services fund revenues have not kept pace with expenditures for primarily two reasons: first, sales tax collection has under-performed for two consecutive years, and second, rising caseloads in some programs, increased salary/benefit expenses, and IHSS wage increases have combined to drive up costs substantially. The Social Services fund is currently spending one-time fund balance on ongoing expenses and is expected to deplete those one-time funds early in the 2004-05 fiscal year (assuming this transfer is approved).

The recommendation before the Board today requests a transfer of funds from the Mental Health fund to the Social Services fund as a result of the financial status of the Social Services fund. The status of the other two funds, Mental Health and Health, is better than that of Social Services. Although the Mental Health fund is also currently spending one-time fund balance for ongoing expenses, the 2003-04 proposed budget reflects the first step in a two-year approach to balance expenditure and revenue amounts; the Department is already exploring alternatives to complete this process via the 2004-05 budget. Health is currently in slightly better fiscal condition with ongoing expenses and revenues tracking closely together.

The decision to transfer funds from Mental Health instead of Health in the current year is based on a variety of factors. Allocation of Mental Health program resources involves greater local discretion than either Social Services (which has a variety of mandated programs whose caseloads are not controllable by the County), or Health (which has significant fixed expenditures in ARMC debt servicing, ARMC operations, and a maintenance of effort requirement for Public Health). The Health account is also extremely volatile due to the reliance on Disproportionate Share Hospital (DSH) and SB1732 revenues (SB1732 funds about ½ of ARMC debt service), which can both fluctuate dramatically from year to year. Finally, a substantial portion of available Health fund balance will likely be used due to delays in receipt of DSH program revenues that have resulted in cash flow problems for ARMC. This delay will necessitate that Realignment funds be transferred to the Hospital as a stop-gap measure (an item addressing this problem is also before the Board today) until such time as the DSH revenues are received.

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Due to these circumstances, a transfer of available funds from the Mental Health fund to the Social Services fund is requested as the most cost-effective use of available resources to maximize client outcomes and to meet the County's overall responsibilities to provide local safety net services..

REVIEW BY OTHERS: This item has been reviewed by the County Administrative Office (Carol Hughes, Administrative Analyst) on June 17, 2003; and by Human Services System (Gary Morris, Administrative Analyst and Kristin Letterman, Administrative Analyst) on June 17, 2003.

FINANCIAL IMPACT: The final amount of this transfer will not be known until early 2004 when all 2002-03 growth revenues have been distributed. It is anticipated that this transfer will ultimately reallocate \$5.1 - \$5.3 million in revenues from Mental Health to Social Services. This transfer has been included in the Realignment fund balance estimates sent to the Board as part of the Proposed 2003-04 Budget. Reallocated funding will come from Realignment Revenues; no local cost.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and recommends this action to meet the County's obligations with regard to mandated social services programs. Approval will not result in additional local cost appropriations. .

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Carol L. Anselmi, Assistant County Administrator (909) 387-4764